



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 5, 2004

**Energen Resources Corporation
2198 Bloomfield Highway
Farmington, New Mexico 87501**

**Attention: David M. Poage
District Landman**

Administrative Order NSL-2597-A

Dear Mr. Poage:

Reference is made to the following: (i) your application dated September 9, 2004; (ii) the New Mexico Oil Conservation Division's ("Division") initial response by letter dated September 17, 2004 from Mr. Michael E. Stogner, Engineer/Hearing Officer in Santa Fe; (iii) your reply by e-mail on September 27, 2004; and (iv) the Division's records in Aztec and Santa Fe, including the file on Division Administrative Order NSL-2597, as amended: all concerning Energen's request for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, for a non-standard replacement coal gas well location within a standard 320-acre stand-up gas spacing unit comprising the E/2 of Section 19, Township 32 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

This application has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*"; (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

It is the Division's understanding this well will replace Energen's Carracas "19-B" Well No. 1 (API No. 30-039-24401), located at an unorthodox coal gas well location 750 feet from the North line and 400 feet from the East line (Unit A) of Section 19 (approved by Division Administrative Order NSL-2597, dated November 7, 1988, as amended by administrative order dated April 11, 1989).

It is further understood that due to the current downhole condition of the wellbore, the Carracas "19-B" Well No. 1 will be plugged and abandoned.

By the authority granted me under the provisions of these special pool rules and Division Rule 104.F (2), the following described well to be drilled as a replacement coal gas well on this 320-acre gas spacing unit at a non-standard coal gas well location is hereby approved:

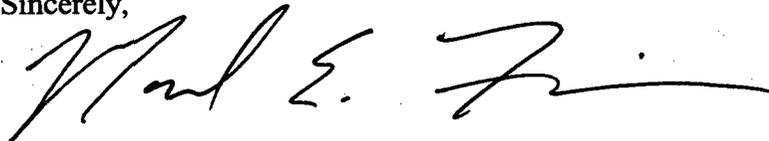
Carracas "19-B" Well No. 1-R
735' FNL & 310' FEL (Unit A)
(API No. 30-039-27457).

IT IS FURTHER ORDERED THAT at the time the proposed Carracas "19-B" Well No. 1-R is successfully drilled to and completed within the Basin-Fruitland Coal (Gas) Pool; Energen shall plug and abandon the above-described Carracas "19-B" Well No. 1.

Further, Division Administrative Order NSL-2597, as amended, shall be placed in abeyance until further notice.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/mes

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
J. Scott Hall, Legal Counsel for Energen Resources Corporation – Santa Fe
File: NSL-2597